

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SCEM-02 INT-08 SCI-06 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 L-03

LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03

OMB-01 DRC-01 NEA-10 IO-14 /191 W
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P R 011415Z NOV 73

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 9034

INFO AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY BONN

AMEMBASSY PARIS

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USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, BE

SUBJECT: BELGIAN PETROLEUM EXPORT RESTRICTIONS

REF: BRUSSELS 6165

1. SUMMARY: BELGIAN PETROLEUM EXPORTS TO DESTINATIONS OUTSIDE OF EUROPEAN COMMUNITY (EC) BEING ADMINISTRATIVELY HINDERED, BUT GOVERNMENT EXPORT POLICY STILL IN FORMATIVE STAGE. GOB EXTREMELY CONCERNED ABOUT DEVELOPING THREAT TO ITS PETROLEUM SUPPLIES, POSED BY ARAB EMBARGO TO NETHERLANDS. IT IS TEMPTED TO SEEK UNILATERAL ACCOMODATION WITH ARAB OIL PRODUCERS, BUT ALSO CONCERNED ABOUT STRAINING BENELUX AND EC TIES WHICH WOULD RESULT. END SUMMARY.

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2. BELGIAN PETROLEUM EXPORT POLICY REMAINS UNCLEAR ALTHOUGH IT IS EVIDENT THAT SOME EXPORTS ARE BEING OBSTRUCTED. GOB INSTALLED PETROLEUM EXPORT LICENSING REQUIREMENT LAST WEEK (REFTEL) AND AT LEAST SOME APPLICATIONS (E.G. FOR SWEDEN BY AN AMERICAN OIL COMPANY) WERE NOT EXPEDITIOUSLY GRANTED. DELAY MAY HAVE BEEN DUE TO ADMINISTRATIVE CONFUSION. AS OF OCTOBER 31, GOVERNMENT OFFICIALS CONTINUE TO MAINTAIN PUBLICLY (AND PRIVATELY TO EMBASSY) THAT LICENSES ARE ONLY FOR SURVEILLANCE PURPOSES ALTHOUGH ONE SENIOR OFFICIAL ADMITTED THAT "PURELY SPECULATIVE" SHIPMENTS WOULD BE DELAYED IF NOT STOPPED. HOWEVER CHIEF EXECUTIVE OF ONE AMERICAN OIL COMPANY REPORTS THAT HIS FIRM IS CONTINUING TO HAVE DIFFICULTIES IN OBTAINING NECESSARY LICENSES, AND THAT EXPORTS IN FACT ARE BEING RESTRICTED. APPARENTLY GOB INTERNAL INSTRUCTIONS FOR ADMINISTRATION OF LICENSING REQUIREMENT CALLS FOR AUTOMATIC ISSUANCE FOR ALL PRODUCTS TO EC COUNTRIES AND FOR SOLVENTS AND LUBRICANTS REGARDLESS OF DESTINATION. HOWEVER MIDDLE DISTILLANTS AND FUEL OILS DESTINED FOR COUNTRIES OUTSIDE OF EC ("THIRD COUNTRIES") ARE TO BE RESTRICTED ADMINISTRATIVELY TO A LEVEL EQUAL TO LAST YEAR. MINFORAFFAIRS OFFICIAL TOLD EMBOFF THAT THESE REGULATIONS ARE VAGUELY WRITTEN AND CABINET HAS BEEN ASKED FOR CLARIFICATION.

3. GOB APPARENTLY IN DISARRAY OVER PETROLEUM SUPPLY QUESTION AND IN PARTICULAR OVER ARAB EMBARGO OF NETHERLANDS. NO POLICY EXISTS AND MINFORAFFAIRS VAN ELSLANDE AND MINECONAFFAIRES CLAES MET TO DISCUSS PROBLEM FOR FIRST TIME ON OCTOBER 31. MAJOR QUESTION UNDER CONSIDERATION IS WHETHER TO SEEK INDIVIDUAL OR MULTILATERAL (I.E. EC) APPROACH TO OIL PRODUCERS TO AVOID CONSEQUENCES OF EMBARGO ON DUTCH.

4. GOB AT PRESENT BELIEVES OIL EMBARGO AGAINST NETHERLANDS INCLUDES ALL CRUDE PETROLEUM SHIPMENTS TO ROTTERDAM, REGARDLESS OF ULTIMATE DESTINATION; HOPE THAT OIL PRODUCERS WOULD LET BELGIUM AND GERMANY DRAW CRUDE THROUGH ROTTERDAM NOW CLEARLY WISHFUL THINKING.

5. MEMBER OF MINFORAFFAIRS CABINET RAISED WITH EMBOFF RUMOUR THAT AMERICAN OWNED OIL COMPANIES WERE DESPATCHING TANKERS FROM BELGIUM TO SCANDAVAVIAN AND SIMILAR DESTINATIONS AND THEN DIVERTING THESE SHIPS IN MID-OCEAN TO US. WE HAVE REPLIED LIMITED OFFICIAL USE

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THAT OUR LOCAL INQUIRIES PROVIDE NO CONFIRMATION.

6. ON OCTOBER 31, MINECONAFFAIRS CALES REPEATED PUBLIC STATEMENT THAT NO IMMEDIATE THREAT OF FUEL SHORTAGE THREATENING. HOWEVER FUEL OIL SUPPLIES TO SMALL INDEPENDENT DEALERS HAS DRIED UP IN PAST FEW DAYS RESULTING IN DEMONSTRATIONS IN ANTWERP AND LIEGE BY INDEPENDENTS. TO DEAL WITH THIS ESSENTIALLY MARKETING PROBLEM GOB ANNOUNCED ON OCTOBER 31 THAT PETROLEUM

REFINERS IN BELGIUM HAVE AGREED TO SYSTEM OF INTERNAL DISTRIBUTION OF AVAILABLE SUPPLIES. DETAILS ARE BOTH NOT COMPLETELY WORKED OUT AND BEING KEPT SECRET, BUT, ACCORDING TO RELIABLE SOURCES, MAJORS HAVE AGREED TO SUPPLY ALL IN-COUNTRY PURCHASERS (THEIR OWN LONG-TERM CUSTOMERS, LARGE SPOT DEALERS, AND SMALL INDEPENDENTS) IN DIRECT PROPORTION TO AMOUNTS RECEIVED LAST YEAR. MEANWHILE IT IS NOW ALMOST CERTAIN GOB WILL AUTHORIZE MEANINGFUL PETROLEUM PRICE INCREASE (TO LEVEL BETWEEN THOSE CURRENTLY OBTAINING IN NETHERLANDS AND FRANCE).

7. ANOTHER OCTOBER 31 DEVELOPMENT WAS SHELL ANNOUNCEMENT THAT PROPOSAL FOR NEW REFINERY IN ANTWERP HAS BEEN CANCELLED. ALTHOUGH LOCAL NEWSPAPERS ARE SPECULATING THAT RECENT EC DECISION AGAINST GOB SUBSIDIES FOR SHELL AND ESSO REFINERIES IN ANTWERP AREA IS REASON FOR CANCELLATION, RELIABLE SHELL CONTACT TELLS US CANCELLATION IS FRUIT OF RECENT LONG RANGE PLANNING DECISION MADE IN LONDON. SHELL HAS REVISED DOWNWARDS ITS ESTIMATES OF FUTURE REFINING CAPACITY REQUIREMENTS TO TAKE INTO ACCOUNT PROSPECTS OF CUT-BACKS IN MID-EAST PRODUCTION. SHELL, THEREFORE, IS THREATENED WITH EXCESS REFINERY CAPACITY IF ANTWERP (AND OTHER EUROPEAN) CONSTRUCTION PROJECTS GO AHEAD.

8. FINALLY, RELIABLE INDUSTRY SOURCE REPORTS THAT SOVIET OWNED BELGIAN PETROLEUM MARKETING COMPANY NAPHTHA-B STOPPED ALL PETROLEUM IMPORTS SEVERAL WEEKS AGO. NAPHTHA-B HAS RELATIVELY LARGE STOCKS ON HAND AND DECISION PROBABLY PURELY COMMERCIAL.

9. COMMENT: GOB SHOWING SIGNS OF INCREASING CONCERN IN FACE CURRENT PETROLEUM SITUATION. WITHOUT MAJOR NATIONAL OIL PRODUCER, GOVERNMENT HAS LITTLE EXPERIENCE IN PETROLEUM MATTERS. GOB APPEARS TEMPTED TO DISTANCE ITSELF FROM NETHERLANDS IN DEALING WITH ARAB SUPPLIERS, BUT DEPENDENCE ON ROTTERDAM-LIMITED OFFICIAL USE

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ANTWERP PIPELINE, DUTCH NATURAL GAS, PLUS BENELUX, EC AND OTHER LINKS MAKE SUCH A POLICY DOUBTFUL. NEVERTHELESS, SELECTIVE ARAB EMBARGO CONFRONTS GOB WITH HARD CHOICES WHICH PLACE STRAIN ON ITS BENELUX AND EC RELATIONS.
STRAUSZ-HUPE

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